
Slide 1 — Title Slide

Exiting a Corporation: Tax Fundamentals Every Practitioner Should Know
IRS National Tax Forum

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Slide 2 — Session Objectives

Participants will be able to:

- Identify primary corporate exit methods
- Distinguish asset, stock, and liquidation exits
- Understand core tax consequences
- Recognize common practitioner mistakes
- Evaluate appropriate exit options for clients

Slide 3 — Why Exit Planning Matters

- Often owner's largest financial event
- Tax cost varies significantly by structure
- Structure often decided too late
- Practitioner guidance critical before deal signing

Slide 4 — Primary Corporate Exit Methods

Three common exit paths:

- Asset sale
- Stock sale
- Corporate liquidation

Buyer and seller goals often conflict.

ASSET SALES

Slide 5 — Asset Sale Overview

• Corporation sells assets to buyer
• Corporation recognizes gain
• After-tax proceeds distributed to owners
• Shareholders taxed again

Result: potential double taxation.

Slide 6 — Asset Sale Tax Flow

1. Buyer purchases assets
2. Corporation pays tax on gains
3. Remaining cash distributed
4. Shareholders taxed on distribution

Two taxable events occur.

Slide 7 — Asset Sale Tax Issues

Common tax impacts:

• Depreciation recapture = ordinary income
• Inventory = ordinary income
• Goodwill = capital gain
• Potential double taxation

Asset mix drives tax result.

STOCK SALES

Slide 8 — Stock Sale Overview

• Shareholders sell stock directly
• Corporation remains intact
• Buyer acquires entity and liabilities

Seller typically prefers stock sale.

Slide 9 — Stock Sale Tax Treatment

- Single level of tax to shareholder
- Capital gain treatment common
- No corporate tax triggered

Often produces lowest seller tax.

Slide 10 — Buyer Concerns in Stock Sales

Buyers inherit:

- Known and unknown liabilities
- Tax exposure
- Legal risks
- No asset basis step-up

Often leads to price or structure negotiation.

CORPORATE LIQUIDATION

Slide 11 — Corporate Liquidation Overview

Occurs when corporation winds down:

- Assets sold or distributed
- Corporation taxed on gains
- Remaining proceeds distributed
- Shareholders taxed again

Similar tax effect to asset sale.

Slide 12 — Liquidation Tax Mechanics

Corporation recognizes gain on:

- Asset sales
- Asset distributions

Shareholders taxed on liquidation proceeds received.

Slide 13 — When Liquidations Occur

Common situations:

• Retirement closure
• Failed business
• No buyer found
• Sale followed by wind-down

COMMON PRACTITIONER ERRORS

Slide 14 — Frequent Practitioner Errors

• Planning begins after deal signed
• Asset allocation ignored
• Depreciation recapture overlooked
• Shareholder basis not reviewed
• State tax issues missed

Small mistakes create large tax costs.

Slide 15 — Reporting Pitfalls

Common compliance issues:

• Final Form 1120 filing errors
• Form 966 liquidation notice missed
• Payroll & sales tax accounts left open
• Incorrect final shareholder reporting

Administrative cleanup matters.

CASE STUDY

Slide 16 — Case Study Scenario

C corporation:

• Asset value: $1,000,000
• Asset basis: $400,000
• Shareholder stock basis: $100,000

Question: Which exit produces less tax?

Slide 17 — Case Study Outcome

Asset sale results in:

• Corporate gain tax
• Shareholder gain tax

Stock sale produces:

• Single shareholder gain tax

Structure dramatically affects results.

PRACTICAL APPLICATION

Slide 18 — Practitioner Exit Checklist

When client mentions selling:

• Asset or stock deal?
• Asset and stock basis known?
• Recapture exposure reviewed?
• State tax impact considered?
• Installment sale options reviewed?

Early involvement saves taxes.

Slide 19 — Key Takeaways

• Structure drives tax outcome
• Asset sales common but costly
• Stock sales often benefit sellers
• Liquidations create double taxation
• Planning early is critical

Slide 20 — Questions & Discussion

Thank you.
